



City of Kingsburg

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Michelle Roman
Mayor

Bruce Blayney
Mayor Pro Tem

COUNCIL MEMBERS
Sherman Dix
Staci Smith
Laura North

Alexander J. Henderson
City Manager

CITY OF KINGSBURG FINANCE COMMITTEE

March 16, 2017

6:00 p.m.

**KINGSBURG CITY COUNCIL CHAMBER
1401 DRAPER STREET**

1. **Call to order** – Bruce Blayney
2. **Public Comments** - Any person may directly address the Committee at this time on any item on the agenda, or on any item that is within the subject matter jurisdiction of the Committee. A maximum of five minutes is allowed for each speaker.
3. **Approval of Minutes** –Approve minutes from February 23, 2017 Finance Committee Meeting, as prepared by City Clerk Abigail Palsgaard.
4. **Community Facilities District Discussion – New Annexations**
Possible Action(s):
 - a. Presentation by City Manager Alex Henderson
 - b. Committee Discussion
 - c. Action as deemed appropriate
5. **CalPERS Analysis Discussion**
Possible Action(s):
 - a. Presentation by City Manager Alex Henderson
 - b. Committee Discussion
 - c. Action as deemed appropriate
6. **Public Safety Funding**
Possible Action(s):
 - a. Presentation by City Manager Alex Henderson
 - b. Committee Discussion
 - c. Action as deemed appropriate
7. **Other Business** –
8. **Adjourn** - to the next regular meeting of the City of Kingsburg Finance Committee.

**City of Kingsburg
Finance Committee Meeting Minutes
February 23, 2017**

Call to order: At 6:09pm Council Member Blayney called the meeting to order.

Members present: City Manager Alex Henderson, Finance Director Maggie Moreno, Council Member Dix and Council Member Bruce Blayney.

Staff Present: City Clerk Abigail Palsgaard

Public Comments: None

Approval of Minutes: Council Member Dix made a motion to approve minutes from January 10, 2017 Finance Committee Meeting, as prepared by City Clerk Abigail Palsgaard. The motion was seconded by City Manager Henderson. The motion carried by a unanimous voice vote.

Façade/Alley & Upper Floor Rehab Incentive Program Discussion

City Manager Alex Henderson said he is looking for direction from the committee regarding the façade/alley & upper floor rehab incentive program. He feels it has been well received. The Committee discussed if it should be per APN or store fronts. The Committee decided it should stay consistent.

The Committee discussed the Upper Floor Rehab Incentive Program and the apartments going in at the Ostrom property. Wants to make sure the program is adopted before any funds are given out. The committee discussed if there are any green funding to help with the cost. They also discussed if there is a count of how many possible apartments. City Manager Henderson said at first they were looking at the Ostrom building and the stone hotel. The Committee agreed that it is just for residential and that the property owner would leave the bottom floor retail and the top floor apartments. Discussed encouraging this for potential new building.

City Manager Henderson thinks we should keep the façade project where it is at, and keep it flexible.

Water Utility Fund Discussion

City Manager Alex Henderson said we are due for our final tier for our increase for our base rate for water use, but we could delay the final increase. Our payment to CID is based on what we pump and the citizens have cut back on water uses. The City Attorney advised in a previous conversation that we can allow the rate change to go into effect, but then you could pass a resolution to postpone the rate change. The Committee discussed how there hasn't been a rate increase for disposal. Committee discussed wanting to make sure it covers the fixed costs. Committee agreed that the citizens have worked hard and we should freeze raising the rates. Council Member Blayney made a recommendation to council to maintain our current water rate. Council Member Dix made a motion to a recommend to council to maintain our current water rate. The motion was seconded by Finance Director Maggie Moreno. The motion carried by a unanimous voice vote.

Other Business: None.

Adjourn: The meeting was adjourned at 6:40pm to the next regular meeting of the City of Kingsburg Finance Committee.



Meeting Date: 03/16/2017
Agenda Item: 4

FINANCE COMMITTEE MEETING STAFF REPORT

REPORT TO: Chairman Blayney & Finance Committee
REPORT FROM: Alexander J. Henderson, City Manager; ICMA-CM
AGENDA ITEM: Community Facilities District – New Annexations

REVIEWED BY:

ACTION REQUESTED: ☐ Ordinance ☐ Resolution ☒ Motion ☐ Receive/File

EXECUTIVE SUMMARY

As City staff, Planning Commission and Council consider new annexations and proposals for new development. The question of how public resources will be funded is on the forefront of discussion. Community Facilities Districts (CFD) are a typical means to finance public infrastructure in major projects, such as public roads and backbone utility infrastructure, parks, and greenbelts. CFD's may not be utilized for the development of private improvements, such as homes or homeowners association facilities.

A CFD The formation of a CFD is initiated by a written request submitted by two members of the Issuer's Legislative Body, by a motion of that Legislative Body, or by a petition signed by 10% of the prospective district's voters or landowners. After the adoption of a Resolution of Intention by the Legislative Body in a public hearing, the levy of the Special Tax must be put before the registered voters residing in the District, either at the next general election or in a special election. As required by Proposition 13, two-thirds of the voters casting ballots must support the tax if it is to be imposed. However, if there are fewer than 12 registered voters residing in the proposed district, a two-thirds vote of the landowners is all that is needed to approve the tax, with landowners getting one vote for every acre or portion of an acre in their ownership.

All public facilities having a useful life of five years or longer are eligible for financing through a Mello-Roos CFD. In addition, Mello-Roos financing can be used to pay for certain types of public services, including police and fire operations, parks, roads and landscape and flood control maintenance, library and recreational services, school facilities maintenance, sandstorm protection, and hazardous waste cleanup.

Staff is seeking direction to work with a special taxing consultant, Taussig & Associates, under our existing contract, to help develop the necessary policies and procedures to require all new development to formulate CFDs as part of annexation. This would apply to the applicants currently seeking tentative tract maps for single family residential construction. Each of the applicants has been informed, and this step would not slow their timeline for approvals.

RECOMMENDED ACTION BY FINANCE COMMITTEE

1. Authorize staff to work directly with Taussig & Associates to help formulate CFD policies and procedures for new development.

POLICY ALTERNATIVE(S)

1. The Committee could choose not to pursue the condition of CFDs as a part of annexation.

REASON FOR RECOMMENDATION/KEY METRIC

1. Financial Stability

FINANCIAL INFORMATION

FISCAL IMPACT:

- | | |
|------------------------------|---------------|
| 1. Is There A Fiscal Impact? | <u>Yes</u> |
| 2. Is it Currently Budgeted? | <u>No</u> |
| 3. If Budgeted, Which Line? | <u>Varies</u> |

PRIOR ACTION/REVIEW

BACKGROUND INFORMATION

See Executive Summary

ATTACHED INFORMATION

1. Mello-Roos Facility Financing
2. Introduction to CFDs

MELLO-ROOS COMMUNITY

FACILITIES DISTRICT FINANCING

GENERAL DESCRIPTION

The Mello-Roos Community Facilities Act of 1982 allows for the creation of a special district called a Community Facilities District ("CFD") and the issuance of bonds by the CFD to directly finance public facilities needed by a municipality. Debt service requirements are met through the imposition of a Special Tax (explicitly not *ad valorem*) solely on those properties located within the CFD. The ultimate security behind these bonds is the property located within the CFD, not the municipality's General Fund, its ability to tax property throughout its jurisdiction, or any other municipal revenue source. It is also non-recourse to the property owners in the CFD. As a result, the municipality issuing the CFD bonds essentially acts only as a conduit for the sale of these tax-exempt bonds to finance public improvements.

To facilitate the sale of these bonds in the municipal marketplace, the Special Tax lien placed on each parcel in the CFD is senior to all liens, including first trust deeds, except for property tax liens themselves, against which they are at parity. As a result, CFDs during good economic times can often be sold prior to any horizontal or vertical construction occurring. However, CFD bonds secured by vacant properties are generally non-rated and usually yield higher interest rates to bondholders than do most rated municipal bond issues.

The only property owners responsible for paying CFD Special Taxes are those who own property located within a specially established district in which two-third of the qualified electors agreed to establish that district and tax themselves. This type of program is ideal for new development in which one or more property owners are responsible for funding new infrastructure improvements to facilitate that development. The maximum term of a CFD bond issue is forty years.

ADMINISTRATIVE REQUIREMENTS

The formation of a CFD is initiated by a written request submitted by two members of the Issuer's Legislative Body, by a motion of that Legislative Body, or by a petition signed by 10% of the prospective district's voters or landowners. After the adoption of a Resolution of Intention by the Legislative Body in a public hearing, the levy of the Special Tax must be put before the registered voters residing in the District, either at the next general election or in a special election. As required by Proposition 13, two-thirds of the voters casting ballots must support the tax if it is to be imposed. However, if there are fewer than 12 registered voters residing in the proposed district, a two-thirds vote of the landowners is all that is needed to approve the tax, with landowners getting one vote for every acre or portion of an acre in their ownership.

ELIGIBLE FACILITIES AND SERVICES

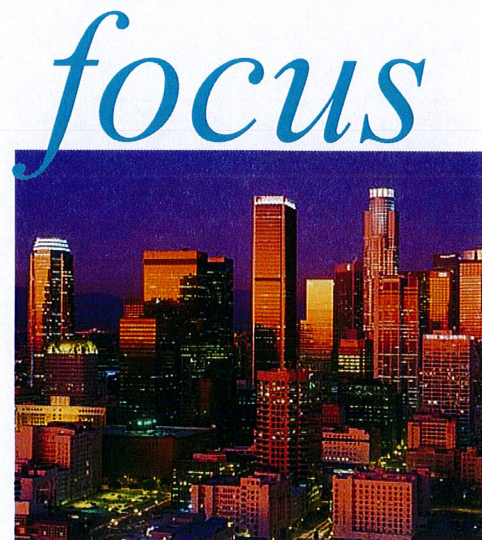
All public facilities having a useful life of five years or longer are eligible for financing through a Mello-Roos CFD. In addition, Mello-Roos financing can be used to pay for certain types of public services, including police and fire operations, parks, roads and landscape and flood control maintenance, library and recreational services, school facilities maintenance, sandstorm protection, and hazardous waste cleanup.

CFDS ARE FLEXIBLE

The CFD Act was adopted by the State Legislature to promulgate a financing instrument with maximum flexibility in the funding of public infrastructure. For example:

CFDs can finance a wide variety of public facilities and services.

Improvements financed through a CFD may benefit property owners outside of the CFD, and in fact, can be located outside of the CFD.



A CFD can include parcels that are not contiguous.

CFDs provide landowners with off-balance sheet financing, since a property's only lien under a CFD is the annual special tax, not the full amount of the bond principal which could be apportioned to the property.

Allocation of the Special Tax to properties within the CFD must be based on reasonable criteria, but does not specifically have to relate to the level of benefit received by each of the properties.

CFDs burden only property owners within the CFD itself with Special Taxes, not property owners throughout the jurisdiction. The election prior to formation only applies to residents or property owners within the CFD.

The CFD Special Tax may be considerably lower on vacant property than developed property.

Capitalized interest can be included in a CFD bond issue to cover the debt service payments for up to two years and reduce the cost of carry for the undeveloped property owner.

When structured properly, CFD bonds can be pre-paid by a builder if a homeowner does not wish to pay a Special Tax.

For more information on Community Facilities Districts, please contact David Taussig or Nathan Perez at 800-969-4382

A Community Facilities District ("CFD" or "Mello-Roos") is a method of special district financing created by the passage of the Mello-Roos Community Facilities Act of 1982 ("Mello-Roos Act"). Special district financing, which uses tax-exempt bond issuances to finance public improvements within a defined geographical boundary, is used throughout the country. The nomenclatures and mechanisms for special district financing vary based on state statutes and local ordinances, but with over 2,500 independent special districts operating in California alone, the use of CFDs is downright commonplace. Each special district is a local government agency, created by, and held accountable to, voting residents.

What sets CFDs apart as a special district financing instrument is its flexibility in the funding of public infrastructure. All public facilities having a useful life of five (5) years or longer are eligible for CFD financing, and CFD financing can pay for certain types of public services including police and fire operations, parks, roads and landscape and flood control maintenance, library and recreational services, school facilities maintenance, storm protection, and hazardous waste cleanup. Improvements financed through a CFD may benefit property owners outside of the CFD, and in fact, can be located out of the CFD. In addition, CFDs can include non-contiguous parcels and may designate and annex future parcels into an existing CFD.

For a typical CFD, the formation process contains three main proceedings: the formation of the CFD and the authorization of the special tax, the authorization for bonded indebtedness for the CFD, and the establishment of an "Appropriations Limit" for the CFD as outlined in Article XIII B for the California Constitution. The formation of a CFD and the authorization of the special tax are initiated by a written request submitted by two members of the Issuer's Legislative Body, by a motion of that Legislative Body, or by a petition signed by 10% of the prospective district's registered voters or landowners. After the adoption of a Resolution of Intention and a Resolution to Incur Bonded Indebtedness by the Legislative Body at a public hearing, the levy of the Special Tax must be put before the "qualified electors" residing in the District, either at the next general election or in a special election. As required by Proposition 13, two-thirds of the qualified electors casting ballots must support the tax if it is to be imposed. However, if there are fewer than 12 registered voters residing in the proposed district, a two-thirds vote of the landowners is all that is needed to approve the tax, with landowners getting one vote for every acre or portion of an acre in their ownership. If the election succeeds, and upon the conclusion of all three proceedings, the special tax for the CFD will be entered into the secured property tax roll for the upcoming fiscal year as a special tax lien, which is on a parity with the general property tax lien and supersedes all private liens and mortgages. This special tax fulfills the debt service requirements for a CFD bond issuance.

CFD bonds fall under two categories: bonds secured by vacant land ("dirt bonds") and bonds secured by populated and developed areas. The former are rarely rated or insured, resulting in a higher interest rate; on the other hand, the latter have credit qualities on par with general obligation bonds, often receiving "A" to triple-A ratings. The ultimate security behind these bonds is the property within the CFD, not the municipality's General Fund, its ability to tax property

throughout its jurisdiction, or any other municipal revenue source. It is also non-recourse to the property owners in the CFD. The municipality issuing the CFD bonds acts only as a conduit for the sale of these tax-exempt bonds to finance public improvements.

Under the Joint Exercise of Powers Act, two or more public agencies may by agreement jointly exercise any power common to those public agencies, creating joint powers authority ("JPAs"). The flexibility of CFDs and the option to partner with JPAs such as the California Statewide Communities Development Authority ("CSCDA") have made "micro-CFDs" possible by allowing for cost effective bond financing on a wide range of public benefit projects.



Meeting Date: 03/16/2017
Agenda Item: 5

FINANCE COMMITTEE MEETING STAFF REPORT

REPORT TO: Chairman Blayney & Finance Committee
REPORT FROM: Alexander J. Henderson, City Manager; ICMA-CM
AGENDA ITEM: CalPERS Pension Rate Analysis

REVIEWED BY:

ACTION REQUESTED: ☐ Ordinance ☐ Resolution ☒ Motion ☐ Receive/File

EXECUTIVE SUMMARY

Staff is recommending to hire an outside consultant to examine the long-term impacts of the recent decision by CalPERS to decrease their discount rate from 7.5% to 7.0%. The discount rate is what CalPERS assumes their \$304 billion in investments will return in a typical fiscal year, July 1 to June 30. It's a critical component of pension financial planning, because it's used in calculating the amount of money those who are part of the CalPERS system contribute.

They lowered the rate because experts inside and outside CalPERS advised that, the recent stock market surge notwithstanding, the long-term financial outlook had darkened. Achieving a 7.5 percent return – the rate in place since 2012 – was now far less likely than it was just two years ago when last revisited it. Solid investment returns are the cornerstone of the CalPERS system: They pay for nearly two-thirds of every dollar paid out in pension benefits.

But cutting the discount rate has real financial impacts for California taxpayers. The state, local public agencies, and school districts that make up CalPERS will have to contribute more money. So will many public employees, especially those hired after the Public Employees' Pension Reform Act took effect in January 2013.

These impacts on Kingsburg's bottom line need to be examined, and we're proposing bringing in a specialty consultant, Bartel Associates, LLC to complete this work. They can review existing funds, provide an actuarial analysis, and recommend methods for Kingsburg to address the impacts.

RECOMMENDED ACTION BY FINANCE COMMITTEE

1. *Authorize staff to work directly with Bartel Associates to develop a cost proposal for pension related analysis services.*

POLICY ALTERNATIVE(S)

1. The Committee could choose not to pursue a partnership with Bartel Associates.

REASON FOR RECOMMENDATION/KEY METRIC

1. Financial Stability

FINANCIAL INFORMATION

FISCAL IMPACT:

- | | |
|------------------------------|---------------|
| 1. Is There A Fiscal Impact? | <u>Yes</u> |
| 2. Is it Currently Budgeted? | <u>No</u> |
| 3. If Budgeted, Which Line? | <u>Varies</u> |

PRIOR ACTION/REVIEW

BACKGROUND INFORMATION

See Executive Summary

ATTACHED INFORMATION



Meeting Date: 03/16/2017
Agenda Item: 6

FINANCE COMMITTEE MEETING STAFF REPORT

REPORT TO: Chairman Blayney & Committee
REPORT FROM: Alexander J. Henderson, City Manager, ICMA-CM
AGENDA ITEM: Public Safety Funding; Community Facilities District

REVIEWED BY:

ACTION REQUESTED: ☐ Ordinance ☐ Resolution ☐ Motion ☒ Receive/File

EXECUTIVE SUMMARY

The discussion regarding public safety and funding mechanisms for personnel and capital equipment has been ongoing for several years. A Public Safety Tax/Fee has been a part of that discussion. As such, the City Finance Committee has been completing research and review of the issue since March, 2016. In August, 2016, the Committee made recommendation to move forward with a proposed Community Facilities District for the purpose of funding public safety. The City Public Safety Committee made the same recommendation during their September 2016 meeting.

A Community meeting was held on October 27, 2016 to gauge public input and feedback about a proposed tax. The meeting was informal and included a brief survey as well. Survey results from both in-person and online results have been included. Updated results will be available for review at the meeting as well.

During the October 27 meeting, the following issues were discussed (not all-inclusive):

1. Length of the measure
2. Assurance of utilizing taxing dollars for public safety without a reduction in existing service levels
3. Sales tax vs. parcel tax
4. Impact of new monies on each department

General consensus from the meeting showed overall support, with interest in final details that will emerge over the next few months.

In early 2017, Council made the decision to scale the process back in order to make sure all areas of need were addressed, and so more research could be conducted. Staff is seeking to continue this conversation.

RECOMMENDED ACTION BY FINANCE COMMITTEE

1. No action required – continued discussion.

POLICY ALTERNATIVE(S)

1. NA

REASON FOR RECOMMENDATION/KEY METRIC

1. The policy provides necessary and adequate financial stability for public safety services.

FINANCIAL INFORMATION

FISCAL IMPACT:

- | | |
|------------------------------|------------|
| 1. Is There A Fiscal Impact? | <u>Yes</u> |
| 2. Is it Currently Budgeted? | <u>N/A</u> |
| 3. If Budgeted, Which Line? | <u>N/A</u> |

PRIOR ACTION/REVIEW

The City's Finance Committee discussed different funding models during meetings in March, May and August 2016. In addition, the City's Public Safety Committee also was presented information during their September 2016 meeting. Both Committees have recommended that the Council explore and pursue a fee associated with public safety services.

The Council heard first discussion during their October 19 meeting and requested addition public input. An informational meeting was held on October 27 to garner input. In addition, a public survey and feedback form have been distributed via the website and social media outlets. Information will also be included in the upcoming (November) City utility bill.

BACKGROUND INFORMATION

During the Finance Committee's March 17, 2016 meeting, Committee members held a conference call with Nathan Perez of Taussig & Associates to discuss public safety funding opportunities. The initial call was informal, and guidance was given for Mr. Perez to provide follow-up information. At the May 19, 2016 meeting, Mr. Perez provided a more detailed presentation regarding options related to revenue production for specific purposes. For Kingsburg, the presentation centered on additional funding for public safety services (fire/EMS personnel, police personnel and related equipment). During the meeting, the group asked questions about sources of funding (sales tax, parcel tax, community facilities district, etc.) and how each process can differentiate. The group determined that more information was needed, specifically regarding a Community Facilities District (CFD) approach. Given the timing involved and the Committee's workload surrounding the pending budget, it was determined that the topic would be tabled and re-discussed after the adoption of the 2016/17 annual budget.

Staff understands the discussion of a public safety related fee/tax has been discussed informally for a number of years. The item has never formally been taken to a vote, which would require 2/3 voter support in order to pass.

Currently, the City employs the following public safety personnel:

1. Police Department (fully funded through general fund – some grant money offset)
 - 1 Police Chief
 - 3 Sergeants
 - 10 sworn police officers
 - 3 non-sworn administrative personnel

The Police Dept. accounts for 51% of general fund spending, with personnel costs accounting for the majority of their annual budget.

2. Fire Department (Funding provided by general fund, grant monies and ambulance charges for service)
 - 1 Fire Chief
 - 3 Shift Captains (Paramedics/EMTs)
 - 6 Full-time Firefighters/Paramedics
 - 23 Reserves in program (paid only when running calls)

Fire/ambulance services have been subsidized by the general fund for several years. The amounts vary, and have been declining due to an updated ambulance fee schedule, new collection vendor, and participating in State and Federal reimbursement programs.

Attached spreadsheets outline the average fully loaded (wage, benefits, workers compensation, etc.) cost to employ new employees for each of these professions. While the City continues to employ techniques to grow our overall general fund revenues, streamline efficiencies to cut costs, and explore other revenue models, the additional costs to employ new full-time public safety personnel are unlikely to be realized through commercial and/or residential growth in the near-term; the costs are simply too great.

For example, in the case of the fire department, we currently staff 3-0 minimums (3 full time employees per shift). To adequately run 4-0, we would need to hire an additional 3 full time firefighters. We supplement our full-time work for both Fire and PD with Level 1 reserves, but this can lead to fluctuations in the amount of staff on-duty at any given time (based upon Reserve availability). To provide some level of comparison, the City collects approximately \$1mm in sales tax revenue each year. So to increase our Fire Dept. staff to 4-0, we would need to realize a nearly 25% increase in sales tax dollars on an ongoing basis. If the community and Council desire to grow either department by any significant margin, we'll need to explore different funding options.

A Community meeting was held on October 27, 2016 to gauge public input and feedback about a proposed tax. The meeting was informal and included a brief survey as well. Survey results from both in-person and online results have been included. Updated results will be available for review at the meeting as well.

During the October 27 meeting, the following issues were discussed (not all-inclusive):

1. Length of the measure
2. Assurance of utilizing taxing dollars for public safety without a reduction in existing service levels
3. Sales tax vs. parcel tax
4. Impact of new monies on each department

General consensus from the meeting showed overall support, with interest in final details that will emerge over the next few months.

ATTACHED INFORMATION